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United Technologies Corporation

1300-1430, Thurs., 26 June 1980

(A Version)

World Overview - challenge to American business just as is challenge to intelligence

*US-Soviet competition

- Iran & Afghanistan demonstrated
 - °world very changed
 - °means important reassessments for USA
 - growing Soviet threat
 - declining ability for US to have things our way
- Soviet Union we face - undergoing substantial change
 - °military - strongest today relative to US strength
 - Means: Will take greater advantage of opportunities (where US threat marginal)
 - °economy - continuing to slow - will face serious problems
 - Agriculture-can't feed pop.
 - Energy-peaked. Will see energy problems, hard currency problems, strains in relationships w/E. Europe. (Will return to)
 - Manpower-low birthrate in 60's - the price of inadequate housing. Decline most severe

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in educated European Russia. Therefore greater % work will be done by non-Russian, esp. Muslims of Central Asia. Consequent problem is one of quality as well as quantity.

°leadership - aged, rigid. Must give way to younger leaders.

*Western Europe

- prosperous & complacent - don't want to get involved in US-Soviet problems - perceived as not affecting them
- US will need to work harder to hold Alliance together
- more vulnerable to instability in 3rd World than US - far less able than US to cope w/supply disruptions
 - °reqmts for imported energy & raw materials grown tremendously
 - °thus foreign policy diverged from US
 - °no longer take for granted US commitment to European defense
- erosion of Alliance yields new opportunities for Soviets
 - °net of common interests
 - °trade grown

*East Asia

- friendship w/China grows

*2 Major changes in focus for IC:

- NW corner of Indian Ocean
 - °interests obvious - but problems are long run
 - °oil dependence will continue
 - °US building up force levels
 - °Sovs also interested & capable to influence
 - °every country in area potential bomb
- our neighbors - industrial powers of W. Hemisphere - Canada, Mexico, Brazil, Argentina & Venezuela
 - °strong econ ties outside Hemisphere
 - °strong thrust for independence in the hemisphere (esp from the US)
 - °threats in southern nations:
 - uncontrolled pop. growth
 - extreme poverty

Means: ripe for subversion & insurrection under Cuban influence (e.g., Nicaragua. Same patterns: El Salvador, Guatemala, Honduras, Caribbean Islands - maybe Mexico by end of decade).

- Alliance w/Japan subj to same forces as w/ W. Europe - but they are more resistant to them
 - °Japan moving to become real power in Pacific
 - °more active diplomacy to protect interests
 - °realize must become more of a military partner of US
 - °Japanese alliance could be sounder than Eur. Alliance in 80's
- Soviet-Chinese proxy struggle in SEA could prove very dangerous

*Upper Tier of 3rd World - (Saudi Arabia, Brazil)

- many forces for instability:
 - °Islamic fundamentalism
 - °too rapid modernization
 - °fragile governments
 - °economic dependencies/instabilities
- but moving from client status toward independence

*Lower Tier of 3rd World

- subj same forces as upper tier, but less able to act independently
- 2 new factors will influence struggle:
 - 1) not 2-sided (US-Sov). Our allies + Sov satellites becoming competitors for influence
 - 2) upper tier countries will also become competitors (e.g., in E. Africa, Iraq is competing successfully w/Sov & West)